# Protecting Music Copyrights in Cyberspace: Napster, MP3 and Other Recent Litigation

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Ian C. Ballon*
Manatt, Phelps & Phillips, LLP
iballon@manatt.com

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| 1001 Page Mill Road, Bldg. 2<br>Palo Alto, CA 94304-1006<br>Palo Alto Direct Dial:<br>(650) 812-1389<br>(650) 213-0260 | 11355 West Olympic Boulevard<br>Los Angeles, CA 90064-1614<br>Los Angeles Direct Dial:<br>(310) 312-4326<br>(310) 312-4224<br>(310) 312-4224 |


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### 22.02[4][D] Unresolved Licensing Issues: Litigation over Napster, Digital Jukeboxes and Anti-Circumvention Technologies

#### 22.02[4][D][I] *Overview*

As discussed in the preceding subsection, the DMCA (which was signed into law in late 1998) created new legal protections and remedies. By 2000, however, it was apparent that new copying and file sharing technologies ultimately had eclipsed the development of anti-circumvention measures. A June 2000 Pew Research Center study found that 13 million people had downloaded songs which they did not already own and only 2% of Internet users paid for downloadable music (while another 3% downloaded free copies of music which they a1ready owned). At that time, there were an estimated 1 billion songs available for free downloading by Napster users, approximately half of whom were between the ages of 18 and 29 (with 30-49 year olds accounting for 42% of all users and people 50 years or older responsible for 9% of such downloads).1 As of June 2000 (ten months after it first began operations), Napster reportedly had accumulated a user base of more than 20 million and was growing at a rate of 200,000 downloads of its free software each day.2 In fact, network congestion caused by the use of Napster became so great that a number of universities banned its use entirely in early 2000.3

Although proponents argued that free MP3 files promoted the sale of music and facilitated the emergence of new bands, there was also anecdotal evidence that many students, software engineers and other people who formerly purchased CDs were instead downloading new music free of charge, which they burned onto home-made CDs, stored on computer hard drives or transferred to portable digital media players. Litigation involving new technologies may have only limited effectiveness in stopping individuals from uploading and downloading unauthorized MP3 files, given the wide dissemination of MP3 files and file sharing programs and the current state of technology. Such litigation may force changes in industry standards or business models, however, which otherwise might only emerge through market developments or legislation.

#### 22.02[4][D][ii] *DMCA Anti-circumvention Provisions*

Although the recording industry had been unsuccessful in challenging the sale of portable digital devices such as the Rio media player,[4] beginning in 1999 it had somewhat greater success in challenging certain anti-circumvention technologies and file sharing applications The Audio Home Recording Act,[5] which had formed the basis for the RIAA's challenge to the Rio Player, had been crafted without an appreciation of how music would be delivered in digital form over the Internet by the late 1990s. By contrast, the anti-circumvention provisions of the DMCA - adopted in late 1998 - proved useful in challenging particular new technologies. The central issue in most anti-circumvention DMCA cases - as in litigation over new technologies based on the theory of contributory copyright infringement[6] - is whether the applicable technology, although used to facilitate acts of infringement, has substantial noninfringing uses.

Section 1201(a)(2) of the DMCA prohibits any person from manufacturing, importing, offering to the public, providing, or otherwise trafficking in a technology, product, service, device or component (or part thereof) that -

- "is primarily designed or produced for the purpose of circumventing a technological measure[7] that effectively controls access to a work"[8] protected under U.S. copyright law[9] (or the protections afforded thereby[10]);
- "has only limited commercially significant purpose or use other than" circumventing a technological measure[11] (or the protections afforded by a technological measure[12]); or
- is marketed with knowledge "for use in circumventing a technological measure that effectively controls access to" a protected work[13] (or the protections afforded thereby[14]).[15]

Effective October 28, 2000, U.S. law will also directly prohibit anyone from "circumvent[ing] a technological measure that effectively controls access to" a work protected by U.S. copyright.[16]

The statute provides express exemptions for nonprofit libraries, archives, and educational institutions,[17] law enforcement, intelligence and other government activities,[18] reverse engineering,[19] and encryption research.[20] An exception also exists for certain uses whose sole purpose is to prevent minors from accessing Internet content.[21] Circumvention also is permitted for the purpose of disabling a feature that collects or disseminates personally identifying information.[22] Certain forms of security testing also are permitted.[23] The statute does not expressly incorporate copyright provisions such as the fair use defense, although defendants may be able to assert First Amendment protections under very limited circumstances.[24]

Violations of section 1201 for circumventing copyright protection systems (or for removing or altering copyright management information or providing false information pursuant to section 1202[25]) must be litigated in federal court. A successful plaintiff may be entitled to injunctive relief, an order of impoundment, a final decree ordering remedial modification or destruction, actual or statutory damages and, in the court's discretion, costs and reasonable attorneys' fees.[26]

Neither the liability provisions, nor any of the exceptions or exemptions created by the statute, are intended to affect the scope of copyright protection or liability.[27] The anti-circumvention provisions therefore provide copyright owners with *additional* remedies and do not otherwise insulate technology providers or users from claims for contributory or vicarious copyright liability.[28] As a practical matter, however, section 1201 may provide a more potent remedy for copyright owners in some cases because it is not limited by the fair use doctrine[29] (including the precedent established by *Sony Corp. v. Universal City Studios, Inc.*,[30] in which the Supreme Court ruled that a manufacturer of video cassette recorders used by consumers to record television programs for purposes of "time shifting" could not be. held contributorily liable)[31] and potentially affords slightly broader equitable remedies and damage provisions.[32]

### **22.02[4][D][iii]** *Case law construing the DMCA's anti-circumvention provisions*

Litigation to date has been brought against companies that manufacture or provide anti-circumvention technologies, who also potentially could be subject to liability for contributory copyright infringement (unless

their products have substantial noninfringing uses). In the first reported decision construing section 1201, *RealNetworks, Inc. v. Streambox, Inc.,*[33] RealNetworks, Inc., which markets the RealAudio and RealVideo streaming media players, had alleged that the defendant's distribution and marketing of "Streambox VCR" and Ripper programs - which could be used to bypass anti-circumvention aspects of RealNetworks' streaming files - violated section 1201 of the DMCA. Streambox VCR allowed users to access and download copies of RealMedia files that otherwise were intended to be streamed over the Internet - but not downloaded. The Streambox Ripper, by contrast, was a file conversion application that allowed RealMedia files to be converted to other formats such as .wav, .rma and MP3. The program also permitted conversion between each of these formats, which the defendant argued was a valid noninfringing use.

The court enjoined defendant's distribution of Streambox VCR, but declined to enjoin Ripper, which the court found had legitimate purposes and commercially significant uses. In so ruling, Judge Marsha J. Pechman of the Western District of Washington concluded that the fair use defense under the Copyright Act had no application to claims brought under section 1201. The court also construed the DMCA's anti-circumvention provisions as not creating an automatic presumption of irreparable injury in cases where a plaintiff is able to make a *prima facie* showing of a violation.[34]

In *Universal City Studios, Inc. v. Reimerdes,*[35] Judge Lewis A. Kaplan of the Southern District of New York preliminarily enjoined distribution of DeCSS - a software utility intended to allow users to break the Content Scramble System (CSS), which is an encryption-based security and authentication system that requires the use of appropriately configured hardware (such as a DVD player or computer DVD drive) to decrypt, unscramble and playback (but not copy) motion pictures stored on DVD.[36] The court ruled that the DMCA did not violate the defendants' First Amendment Rights.[37]

At the time of the suit, commercial DVDs generally were only compatible with Windows and Macintosh operating systems. Defendants therefore argued that DeCSS was intended only to permit persons in lawful possession of copyrighted disks to play them for their own use on computers running under the Linux operating system. Judge Kaplan rejected this argument, however, finding that the defendants had introduced no evidence to substantiate this position. Moreover, he ruled that even if DeCSS were intended and usable solely to permit the playing, and not the copying, of DVDs in a Linux environment, "the playing without a licensed CSS 'player key' would 'circumvent a technological measure' that effectively controls access to a copyrighted work . . ." and thus would violate section 1201(a)(2).[38]

Judge Kaplan similarly rejected defendants' argument that DeCSS was necessary to achieve interoperability between computers running on Linux and DVDs and thus subject to the exception to liability created for reverse engineering. The court, in addition to finding that the defendants had failed to submit evidence to sustain this defense, rejected it because even if DeCSS was useful for this purpose, it also ran on Windows and therefore was not developed "for the sole purpose" of achieving interoperability between Linux and DVDs.[39] More importantly, the court concluded that the legislative history made it "abundantly clear" that section 1201(f) permits reverse engineering "of copyrighted computer programs only and does not authorize circumvention of technological systems that control access to other copyrighted works, such as movies."[40] The court also rejected defendants' perfunctory claims to entitlement to defenses based on encryption research, security testing or their ostensible status as a "service provider" complying with the OSP liability limitations created by the DMCA.[41]

### **22.02[4][D][iv]** *Digital jukeboxes, Napster and Gnutella*

#### **22.02[4][D][iv][a]** Overview

In the absence of effective anti-circumvention technologies, the Internet has facilitated the rapid distribution of MP3 files containing unauthorized copies of popular songs. While the MP3 compression algorithm makes it easier to transmit (and therefore upload or download) music files, MP3.com's "my.mp3.com" digital jukebox service and file trading applications such as Napster,[42] Gnutella[43] and FreeNet[44] have made it much easier and quicker to locate and copy popular music files.

Digital Jukeboxes are online sites where users can store music that they then may access from any location where there can connect to the Internet. Digital jukeboxes effectively allow music lovers to make their collections portable without having to use their own computer storage space. Unlike some other digital jukebox services, MP3.com's "my.mp3.com"service, which was unveiled in early 2000, also allowed users to avoid the time consuming process of uploading copies of their own CDs to a central server. Instead, users could simply transfer existing MP3 files stored by MP3.com, provided that they could certify that they owned a genuine copy of the music that they sought to copy.

Napster's free MusicShare file sharing client application software allows users logged-on to Napster's Web site to identify and copy available MP3 files located on other users' computers and (if they choose to do so) make their own MP3 files available to other Napster users by placing them in a special folder on their own hard drives (in which case the files will be added to a directory and index maintained on Napster's servers). Napster, in the words of one journalist, is like "a swap meet for MP3 junkies."[45]

Files made available by Napster users may be searched and located through Napster's central servers. Open-source file trading applications such as Gnutella and FreeNet, by contrast, allow users to directly identify files maintained by other fans (rather than through a centralized server), making it even more difficult for the recording industry to police unauthorized acts of copying.[46]

Both MP3.com, Inc. and Napster were sued for facilitating the copying of unauthorized MP3 files. Although the central question of whether companies that make available new technologies that facilitate copyright infringement should be held liable as contributory infringers[47] or for violating the DMCA's anti-circumvention provisions[48] was still being hotly litigated as this book went to press, the legal landscape was changing rapidly as a result of rights owners' victory in a case involving more mundane acts of copying by MP3.com, Inc. in connection with its digital jukebox service.

### **22.02[4][D][iv][b]** *Litigation Challenging MP3's Digital Jukebox*

In *UMG Recordings, Inc. v. MP3.com, Inc.,*[49] Judge Jed S. Rakoff of the Southern District of New York entered partial summary judgment in favor of the plaintiffs, ruling that MP3.com's practice of copying music files to a database to facilitate user copying (in connection with its my.mp3.com service) constituted copyright infringement. The my.mp3 service had been introduced in early 2000 to allow users to maintain online digital jukeboxes without having to go through the time-consuming process of uploading songs from CDs to the Internet.[50] MP3.com had taken a number of precautions designed to ensure that only owners of legitimate copies of protected CR ROMs could make copies of the music files stored on its database. Among other things, it required users to certify that they owned a genuine copy and either insert such a copy in their computer disk drive (where the user's access to a genuine copy would be verified by MP3.com's "Beam-it Service") or purchase one from a cooperating online retailer. MP3.com had argued that this practice allowed users to make personal copies of songs permitted under *Sony Corp. v. Universal City Studios, Inc.,*[51] the Supreme Court case which approved consumer use of VCRs to tape record television programs for later review because the practice amounted to time-shifting.[52] Judge Rakoff, however, found that MP3.com's acts of copying (as opposed to end user copying[53]) did not amount to a fair use.[54]

The case ultimately settled with MP3.com agreeing to pay royalties to particular record companies in order to be able to continue to operate its online music storage service.[55] As of this writing, a settlement had not been reached in a related suit filed by Paul McCartney's music publishing company, MPL Communications, Inc., and Peer International Corp., asserting the rights of music publishers to royalties for unauthorized copying.[56] MP3.com, however, did reach agreement with BMI in May 2000 to pay it royalties for the songwriters and publishers that it represented.[57]

A suit also had been filed in federal court in New York by some of the original members of The Coasters, The Original Drifters, the Main Ingredient and the Chambers Brothers against both MP3.com *and* recording companies, piggybacking on the allegations of the *UMG Recordings, Inc. v. MP3.com, Inc.* lawsuit, which were extensively quoted in their complaint. In *Chambers v. Time Warner, Inc.,*[58] plaintiffs sought royalties both from their former recording companies and MP3.com, alleging that the legal status of their recordings differed

depending on whether they were pre-1966 analog recordings, pre-1978 published recordings or pre-February 15, 1972 unpublished recordings. Specifically, plaintiffs alleged that their recording contracts could not have granted record companies rights to published recordings, since such rights did not exist prior to 1978. Moreover, plaintiffs alleged that no performance rights existed with respect to copyrights in existence prior to December 31, 1995 - the effective date of the Digital Performance Rights in Sound Recordings Act of 1995.[59] Plaintiffs further alleged that their contracts did not grant their record companies rights in digitized versions of pre-1966 artistic performances.[60]

In addition to copyright claims, plaintiffs alleged violations of their rights of publicity under New York law and the federal Lanham Act. [61]They further sought certification of a class action. As of this writing, plaintiffs' suit was still pending.

**22.02[4][D][iv][c]** *Litigation Challenging Napster*

In early 2000, a number of lawsuits were brought against Napster.com, whose service facilitates the direct (albeit anonymous) transfer of MP3 files directly between Napster users through indices (of MP3 files stored on user hard drives) and search engines made available on Napster's central servers. In one of the first suits, the rock group Metallica filed a complaint alleging copyright infringement and RICO violations against Napster and three universities (Yale, U.S.C. and Indiana University) whose students allegedly used their networks to store and trade unauthorized MP3 files obtained through the use of Napster software.[62] Yale and Indiana ultimately responded to the lawsuit by agreeing to block access to Napster.[63] U.S.C. subsequently followed suit, banning use of Napster in dormitories and otherwise except for legal purposes and under supervision.[64] A similar suit was brought against Napster in federal court in Los Angeles by rapper Dr. Dre.[65] A small number of artists, on the other hand, embraced the technology.[66]

As of this writing, there has not been a substantive ruling on the issue of liability in any case brought against Napster. In *A&M Records, Inc. v. Napster, Inc.,*[67] however, judge Marilyn Patel of the Northern District of California ruled that Napster was not entitled to benefit from the DMCA liability limitations otherwise available to "service providers."[68] A similar argument made by the presumed owner of krackdown.com and other cracker sites which distributed DeCSS - a program intended to allow users to break the Content Scramble System (CSS) that otherwise prevents movies stored on DVDs from being copied - was rejected by Judge Kaplan of the Southern District of New York in *Universal City Studios, Inc. v. Reimerdes.*[69]

Following Judge Patel's ruling in the *A&M Records, Inc.* suit, Metallica delivered 13 boxes of names of Napster users which the band contended were using the free software service to make infringing copies of its songs. In early May 2000, Napster announced that it had blocked access to its servers to more than 317,000 users identified by Metallica.[70]

**22.02[4][D][iv][d]** *Links to Infringing MP3 Files*

In *MP3Board, Inc. v. RIAA,*[71] a California search engine company filed suit in federal court in San Jose, seeking a declaratory judgment that it was not liable for contributory infringement by providing links to sites that offered downloadable MP3 files. In the words of the complaint, plaintiff sought a declaration that linking, "by automatic processes, from one site . . . to another[,] does not constitute copyright infringement even if the destination of a hypertext link is to a website containing materials that infringe upon intellectual property rights."[72]

Although contributory copyright infringement liability was imposed in one case where a defendant encouraged third parties to make infringing copies of a protected work, including by providing links to sites where unauthorized copies were located,[73] it would be difficult for a plaintiff to prevail against a search engine that has substantial noninfringing uses,[74] based solely on the existence of links generated by the search engine.

**22.02[4][D][iv][e]** *Criminal Sanctions*

In one of the first suits brought over infringement of MP3 files, Jeffrey Levy, a University of Oregon student,

pleaded guilty in November 1999 to violating the No Electronic Theft (NET) Act by uploading more than 1,000 MP3 files to his school network.[75] The NET Act was a 1997 amendment to the criminal provisions of U.S. Copyright law that is discussed in greater detail in section 51.01[4].

**22.02[4][D][iv][f]** *File sharing applications that do not operate through a central server (Peer-to-Peer-programs)*

Absent the development of technologies to disable file sharing programs or to limit or track unauthorized copying[76] - or the emergence of new business models that would allow record companies to earn revenue through means other than distribution - it appears unlikely that litigation could thwart the widespread use by consumers of software products such as Gnutella, which do not operate through central servers and therefore would be very difficult (if not impossible) to completely eradicate.

**22.02[4][D][iv][g]** *International litigation*

A court in Germany ruled in early 2000 that AOL Germany was liable for copyright infringement for operating an online forum where AOL members could store and swap digital music files. The suit had been brought in 1998 by Hit Box Software GmbH of Karlsruhe, which distributed "karaoke" style MIDI files on computer disks. AOL had alleged that the files should be treated as public domain shareware under German law and that it could not control the conduct of people over the Internet (although it did maintain and organize the files and had "scouts" review them for viruses and copyright notices). The court ruled for the plaintiff, but rejected its theory of damages as too broad.[77]

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### 22.04[2] Retransmission of Television Broadcasts Over the Internet

Although some foreign television broadcasts are streamed over the Internet, attempts to do so in the United States have met with stiff opposition. Unlike radio, where users generally do not know a particular playlist in advance, anti-circumvention mechanisms typically prevent users from downloading streamed transmissions and listeners are more, rather than less likely to later purchase genuine copies of a work because the tinny sound of a streaming audio transmission is not an adequate substitute for a clear digital copy,[78] a streamed television transmission likely would serve as a complete substitute for watching the same transmission on TV. Streaming television transmissions also could undercut the system of regional licenses that the broadcast networks have been able to maintain because of technological and regulatory limitations on the geographic reach of a broadcast.

In early 2000 the entertainment industry responded forcefully to a Canadian site - *icravetv.com* - which made available on its site (free of charge, funded by advertisements) streamed versions of local transmissions from Toronto and Buffalo, New York television stations. In order to access the site, visitors had to certify in a click-through contract that they were Canadian residents and insert their home area code to verify that they lived in Canada. The site did not employ any authentication mechanisms, however, and an expert for the plaintiffs asserted that a number of the users actually accessed the site from the United States by misrepresenting their residency.[79] The siteowner asserted that the transmissions were lawful in Canada.

The defendants were sued in federal court in Pittsburgh, where the owner of iCraveTV.com had lived at the time he registered the site's domain name. U.S. District Court Judge Donald Ziegler ultimately enjoined iCraveTV from transmitting material protected by U.S. copyright law to the United States.[80] The case settled shortly thereafter with iCraveTV agreeing not to stream unlicensed copyrighted programming,[81] although a similar suit was filed against the site owner in Ontario by Canadian broadcasters.[82]

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**IAN C. BALLON** is a partner who splits his time between the Palo Alto and Los Angeles offices of Manatt, Phelps & Phillips, LLP, where he concentrates on e-commerce, new media and intellectual property litigation,

licensing and strategic counseling. Mr. Ballon is the author of the multi-volume legal treatise, *E-Commerce and Internet Law: Forms-Text-Cases,* published by Glasser LegalWorks (1-800-308-1700). He also co-chairs the Intellectual Property Working Group of the American Bar Association's International Cyberspace Jurisdiction Project. In 1999, he was named one of the top 20 California lawyers under age 40 by *California Law Business* magazine.

A frequent speaker and writer on Internet law, Mr. Ballon serves on the editorial boards of *The Cyberspace Lawyer, E-Commerce Law Report, The Journal of Internet Law, Privacy and Information Law Report and Intellectual Property Lawcast.* He is also the author of a number of articles, including "Spoliation of E-mail Evidence: Proposed Intranet Policies and A Framework For Analysis," The Cyberspace Lawyer, Mar. 1999; "Third Party Liability Under the Digital Millennium Copyright Act: New Liability Limitations and More Litigation for ISPs" (with Keith Kupferschmid), *The Cyberspace Lawyer,* Nov. 1998; "How Companies Can Reduce The Costs and Risks Associated With Electronic Discovery," *The Computer Lawyer*, July 1998; "Third Party Liability for Online Defamation Under the Telecommunications Act of 1996: Why the Fourth Circuit's Ruling in *Zeran v. America Online, Inc*. Is Wrong," *Journal of Internet Law,* Mar. 1998; "The Internet Applications of the Inevitable Disclosure Doctrine," *The Cyberspace Lawyer,* Feb. 1998; "Pinning the Blame in Cyberspace: Towards A Coherent Theory for Imposing Vicarious Copyright, Trademark and Tort Liability for Conduct Occurring Over the Internet," 28 *Hastings Journal of Communications and Entertainment Law* 729 (1996); "The Internet Applications of the Economic Espionage Act of 1996," *The Cyberspace Lawyer,* Mar. 1997; "Strategies to Reduce Internet Liability," *Business Law News,* Fall 1996; "*dispute.com*: The Next Generation of Domain Name Litigation," *Intellectual Property,* Summer, 1996; "Court's Ambivalent Lotus Ruling Still Provides Valuable Insight," *The Computer Law Strategist,* Feb. 1996, at 1; and "Determining Fair Use in Cyberspace," L.A. Daily Journal, Sept. 6, 1995.

Mr. Ballon received an LLM in International and Comparative Law (with an emphasis on international protection of intellectual property) from Georgetown University Law Center and received his JD in 1986 from George Washington University, where he was the Articles Editor of The *George Washington Journal of International Law and Economics.* He received his BA in economics and political science from Tufts University.

He may be contacted at **iballon@manatt.com**.

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ENDNOTES

1 *See* Benny Evangelista, "Free Web Music Not Just a Fad Study: Millions 'Freeload' Napster," S.F. Chronicle, June 9, 2000. On the other hand, in contrast to downloaded music, a Yankelovich Partners study of 16,000 Americans between the ages of 13 and 39 who purchased more than $25 of music in the preceding six months, released at about the same time, found that 59% of those surveyed said that listening to music online had caused them to later purchase a song at a retail outlet. *See* "Study Shows Webcasters Drive Music Sales,"June 15, 2000, **www.digmedia.org/webcasting/webcasters_study.html** (quoting the study).

2 *See* Michael Learmonth, "Napster Tries to Make Nice," The Industry Standard, June 19, 2000, at 118.

3 The use of Napster, for example, accounted for 30% of Internet traffic at Northwestern University before it was banned. See ABC News, "The Sound of Net Congestion," ABCNEWS.com, Feb. 27, 2000. iMesh, a program used to download movies, also was causing congestion on the high speed networks of many universities at about the same time. *See id.*

4 *See Recording Industry Ass'n of America v. Diamond Multimedia Systems, Inc.,* 180 F.3d 1072 (9th Cir. 1999); *supra* § 22.02[4][B].

5 17 U.S.C. §§ 1001 *et seq.*

6 *See Sony Corp. v. Universal City Studios, Inc.,* 464 U.S. 417, 434-42 (1984) (holding that contributory copyright infringement will not be found where a product based on a new technology is widely used for legitimate, unobjectionable purposes or is merely capable of substantial noninfringing uses).

7 *To circumvent a technological measure* means "to descramble a scrambled work, to decrypt an encrypted

work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner . . . ." 17 U.S.C. § 1201(a)(3)(A).

8 A technological measure *effectively controls access to a work* "if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work." *Id.* § 1201(a)(3)(B).

9 *Id*. § 1201(a)(2)(A).

10 *See id.* § 1201(b)(1)(A). The provisions of section 1201(b) govern circumvention of copyright protection, rather than circumvention of access controls, which is addressed by section 1201(a)(2). For purposes of section 1201(b), the operative statutory language - to *circumvent protection afforded by a technological measure* - means "avoiding, bypassing, removing, deactivating, or otherwise impairing a technological measure . . . ." *Id.* § 1201(b)(2)(A). A technological measure *effectively protects a right of a copyright owner,* in turn, if, "in the ordinary course of its operation, [it] prevents, restricts, or otherwise limits the exercise of a right of a copyright owner" under Title 17 of the U.S. Code. *Id.* § 1201(b)(2)(B).

11 *Id.* § 1201(a)(2)(B).

12 *See id.* § 1201(b)(1)(B).

13 *Id.* § 1201(a)(2)(C).

14 *See id.* § 1201(b)(1)(C).

15 The statute also prohibits the manufacture, import, offer to the public, provision or trafficking in certain analog video recorders, which took effect on April 28, 2000. S*ee id.* § 1201(k).

16 Id. *§ 201(a)(1)(A). Liability, however, may not imposed on users of particular classes of works - to be determined by the Librar*ian of Congress - if users are (or are likely to be in the succeeding three years) adversely affected by the prohibition in their ability to make noninfringing uses of such work. *See id.* § 1201(a)(1)(B). In determining which classes of works to exempt from the reach of section 1201(a), the Librarian is required to examine, among other things, the availability for use of copyrighted works; the availability for use of works for nonprofit archival, preservation, and educational purposes; the impact that the prohibition on the circumvention of technological measures applied to copyrighted works would have on criticism, comment, news reporting, teaching, scholarship, or research; the effect of circumvention of technological measures on the market value for the copyrighted works; and such other factors as the Librarian considers appropriate. *See id.* § 1201(a)(1)(C).

17 *See id.* § 1201(d).

18 *See id.* § 1201(e).

19 *See id.* § 1201(f). For a critique of the provisions governing reverse engineering, *see* Jonathan Band & Taro Issihiki, "The New Anti-Circumvention Provisions in the Copyright Act: A Flawed First Step," The Cyberspace Lawyer, Feb. 1999, at 2.

20 *See* 17 U.S.C. § 1201(g).

21 *See id.* § 1201(h)

22 *See id*. § 1201(i)

23 *See id.* § 1201(j)

24 *See Universal City Studios, Inc. v. Reimerdes,* 82 F. Supp. 2d 211, 219-23 (S.D.N.Y. 2000).

25 *See* 17 U.S.C. § 1202

26 *See id.* § 1203. The statute also provides for criminal penalties for violations undertaken willfully and "for purposes of commercial advantage or private financial gain . . ." (other than by nonprofit libraries, archives, educational institutions or public broadcasting entities). *See id.* § 1204.

27 *See id.* §§ 1201(a)(1)(E), 1201(c).

28 For an analysis of contributory and vicarious liability, *see supra* §§ 8.11, 8.12.

29 *See Universal City Studios, Inc. v. Reimerdes,* 82 F. Supp. 2d 211, 219 (S.D.N.Y. 2000); *RealNetworks, Inc. v. Streambox, Inc.,* No. C 99-2070P, 2000 U.S. Dist. LEXIS 1889, at *21-24 (W.D. Wash. Jan. 18, 2000).

30 464 U.S. 417 (1984).

31 The inapplicability of the fair use defense to claims brought under section 1201 is especially significant in light of influential *dicta* in the Ninth Circuit's ruling in *Recording Industry Association of America v. Diamond Multimedia Systems Inc.,* 180 F.3d 1072 (9th Cir. 1999), in which Judge Diarmuid F. O'Scannlain wrote that the Rio media player's operation was consistent with the main purpose of the Audio Home Recording Act - facilitating personal use - and in that sense merely permitted users to make copies "in order to render portable, or 'space-shift,' those files that already reside on a user's hard drive." *Id.* at 1079, *citing Sony Corp. v. Universal City Studios,* 464 U.S. 417, 455 (1984).

Although not directly relevant to claims directed at manufacturers, sellers or importers of anti-circumvention devices under section 1201(a)(2), arguably the criteria to be considered by the Library of Congress in recommending exceptions to provisions governing use of such devices pursuant to section 1201(a)(1) (which is set to take effect on October 28, 2000) incorporate fair use considerations. *See* 17 U.S.C.§ 1201(a)(1)(C). For a discussion of the effect of time shifting on fair use analysis in cyberspace, *see supra* § 8.10.

32 Damages for copyright infringement must be attributable to acts of copyright infringement, rather than acts of circumvention, and therefore potentially may be narrower in cases involving anti-circumvention devices. On the other hand, the DMCA authorizes a court to reduce or remit an award of actual damages in cases of innocent violations of sections 1201 or 1202, whereas knowledge and intent generally are only relevant to an award of statutory - not actual - damages under the Copyright Act. See 17 U.S.C. § 1203; *see generally supra* §§ 8.13 to 8.15 (analyzing remedies for copyright infringement).

33 No. C 99-2070P, 2000 U.S. Dist. LEXIS 1889 (W.D. Wash. Jan. 18, 2000).

34 *Cf. Universal City Studios, Inc. v. Reimerdes,* 82 F. Supp. 2d 211, 215 (S.D.N.Y. 2000) (concluding that the requirement of irreparable injury was satisfied based on evidence that the defendants offered technology that circumvented plaintiffs' copyright protection system and thus facilitated infringement).

35 82 F. Supp. 2d 211 (S.D.N.Y. 2000).

36 DeCSS was developed by a cracker (or group of crackers) believed to be in Europe, who first began distributing the application over the Internet in October 1999. When a state court in California initially denied plaintiff's motion for a temporary restraining order, members of the hacking community stepped up efforts to distribute DeCSS to the widest possible audience in an apparent attempt to preclude judicial relief. One person even announced a contest with prizes (copies of DVDs) for the greatest number of copies distributed and the most elegant and "low tech" distribution methods. *See id.* at 214. The defendants were associated with Web sites that distributed DeCSS.

The earlier state court action was brought in December 1999 in Santa Clara County Superior Court by the DVD Copy Control Association, Inc. of Morgan Hill, which alleged violations of state trade secret law. *See* Ritchenya A. Shephard, "DVDs Spawn Suits Nationwide," Nat. L. J., Feb. 14, 2000, at B7.

37 *See* 82 F. Supp. 2d at 219-23.

38 *See id.* at 217.

39 *See id*. at 218, *quoting* 17 U.S.C. § 1201(f)(1).

40 82 F. Supp. 2d at 218.

41 *See id.* at 217-19; *see generally supra* § 8.12 (analyzing OSP liability limitations under the DMCA).

42 *See* **www.napster.com**.

43 *See* **gnutella.wego.com**.

44 *See* **freenet.sourceforge.net**.

45 *See* Michael Gowan, "MP3 and You: Know Your Rights," PC World, Apr. 19, 2000 **www.pcworld.com/consumer/article/0,5120,16319,00.html**.

46 *See id.* As explained by one reporter:

> Unlike Napster, Gnutella searches go through no central server, so there is no one target for lawyers to shut down. . . . [S]ince the software is free and open-source, there's no distributing software company to slap an injunction on. Designed, like the Internet, to avoid blockages and automatically reroute requests, Gnutella will simply step around any individual system that tries to shut it down. Like the chocolate-and-hazelnut spread Nutella, file requests spread fast and easy.

Ron Harris, "Gnu Tool For Music Pirates," The Associated Press, Apr. 10, 2000. Gnutella was released by Nullsoft, an AOL subsidiary, which briefly posted the program on its Web site for a few hours on March 14, 2000. *See id.*

*47 See supra* § 8.11.

*48 See* 17 U.S.C. § 1201; *see generally supra* § 22.02[4][D][ii].

49 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

50 *See* John Healey, "MP3.com Settles Suit on Music Copyright," San Jose Mercury News, June 10, 2000.

51 464 U.S. 417 (1984).

52 *See supra* § 8.10.

53 The applicability of the fair use defense depends in part on who is asserting it. *See supra* § 8.10. Thus, while a user's act of downloading an MP3 file without authorization could constitute a fair use under certain circumstances, facilitating that use might not.

54 In the words of the court, "[t]he complex marvels of cyberspatial communication may create difficult legal issues; but not in this case. Defendant's infringement of plaintiff s copyrights is clear." 92 F. Supp.2d at 350. In rejecting MP3.com's fair use defense, Judge Rakoff emphasized that "[c]opyright . . . [law] is not designed to afford consumer protection or convenience but, rather, to protect the copyrightholders' property interests." *Id.* at 352.

55 Under the terms of a partial settlement reached with Warner Music Group and BMG Entertainment in June 2000, MP3.com agreed to pay each company an undisclosed amount for past acts of infringement and ongoing royalties each time (1) a user plays a Warner or BMG-released song; and (2) a copy of a Warner or BMG song is moved to a user's my.mp3.com account (i.e., added to an MP3.com online jukebox). *See* John Healey, "MP3.com Settles Suit on Music Copyright," San Jose Mercury News, June 10, 2000. The confidential royalty rates were reported to amount to a few pennies per song per play - or roughly $11 million per label per year. *See id.*

56 *See MPL Communications, Inc. v. MP3.com, Inc.,* Case No. 00 Civ.1979 (JSR) (S.D.N.Y. complaint filed

Mar. 14, 2000).

57 *See* Sarah Deveaux, "MP3.com gains ground as Napster loses a round," IDG.net, May 10, 2000; "MP3.com Cuts Off Music-Listening Service From Major Record-Label Songs," dowjones.com, May 10, 2000. At the time of the settlement, BMI represented more than 140,000 U.S. songwriters and composers and more than 60,000 U.S. publishers, accounting for more than 4.5 million compositions. *See id.*

58 Civil Action No. 00 Civ. 2839 (S.D.N.Y. complaint filed Apr. 12, 2000).

59 *Id.* 27.

60 *Id.* 28.

61 *Id.* 31; *see generally supra* § 16.03 (analyzing rights of publicity).

62 *See Metallica v. Napster, Inc.,* Civil No. 00-CV-3914 (C.D. Cal. complaint filed Apr. 13, 2000).

63 *See* "Copyright Infringement: Metallica v. Napster Inc.," Intellectual Property Lit. Rep., Vol. 6, No. 5, at 5 (May 3, 2000).

64 "The Net Music Controversy," About.com, Apr. 27, 2000.

65 *See Young v. Napster, Inc.,* No. 00-CV-4366 (C.D. Cal. complaint filed Apr. 25, 2000). The lawsuit was filed under Dr. Dre's real name, Andre Young.

Dr. Dre filed suit after Napster failed to comply with his written request to remove his works from Napster's directories. His complaint also identified as-yet unknown universities and students as potential future defendants. *See id.*

66 For example, at about the same time as the Metallica and Dr. Dre lawsuits were brought, Limp Bizkit announced that it was launching a free summer tour sponsored by Napster (at a cost of $1.8 million). In addition, the Offspring's Dexter Holland told *Rolling Stone* that Napster embodied "the spirit of rock & roll" by allowing "more people to come to the party." *See* Andrew Dansby, "Dr. Dre Takes Napster to Court," Rolling Stone, Apr. 27, 2000; "The Net Music Controversy," About.com, Apr. 27, 2000.

67 No. C 99-05183 MHP, 2000 U.S. Dist. LEXIS 6243 (N.D. Cal. May 5, 2000).

68 *See supra* § 8.12.

69 82 F. Supp. 2d 211, 217 (S.D.N.Y 2000); *see generally supra* § 22.02[4][D][iii].

70 *See* Sherman Fridman, "Napster Bars Over 317,000 Names from Website," Newsbytes, May 10, 2000. Some users undoubtedly regained access by using assumed names.

71 Civil Action No. C-00 20606 (N.D. Cal. complaint filed June 2, 2000).

72 *Id.*

73 *See Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.,* 75 F. Supp. 2d 1290 (D. Utah 1999).

74 *See Sony Corp. v. Universal City Studios, Inc.,* 464 U.S. 417, 434-42 (1984) (holding that contributory copyright infringement will not be found where a product based on a new technology is widely used for legitimate, unobjectionable purposes or is merely capable of substantial noninfringing uses). Although not directly on point, in *Kelly v. Arriba Software Corp.,* 77 F. Supp. 2d 1116 (C.D. Cal. 1999), the court held that the practice of a visual search engine in making unauthorized reproductions of photographs as thumbnail images constituted a fair use. That case, however, turned in part on the fact that the thumbnail images produced by the search engine in response to a user's query were smaller, lower quality versions of the genuine works. Bootleg MP3 files generally are of identical quality to the original works. On the other hand, *Arriba Software* involved direct copying by the search engine, whereas MP3Board merely provided links to sites responsive to user

search queries (without actually making any copies of sound recordings available from such sites).

An extensive analysis of potential copyright liability for establishing links to infringing content is set forth in chapter 13.

75 *See* Mark Grossman, "Behind the Music Files: The MP3 Legal Controversy," Gigalaw, Apr. 2000, **www.gigalaw.com/articles/grossman-2000-04c-p6.html**.

76 The RIAA is promoting Digital Rights Management - or the use of proprietary technologies to limit or track copies of genuine works. For example, RealJukebox uses "tethering" to tie a track to a machine. Tethering allows a composition to be downloaded to a portable player or burned on a CD-R, but not posted online. See Michael Gowan, "MP3 and You: Know Your Rights," PC World, Apr. 19, 2000, **www.pcworld.com/consumer/article/0,5120,16319,00.html**.

77 See Landgericht Muenchen, Urteil vom 30. Maerz 2000, 7 0 3625/98, *as reported in* John R. Schmertz & Mike Meier, "German district court holds America On Line (Germany) liable for distributing illegal copies of copyrighted music through its online service," International Law Update, Vol. 6, No. 5, May 2000.

78 *See supra* §§ 22.02[2], 22.02[3].

79 *See* Niki Kapsambelis, "Canadian Company Under Fire For Pirating U.S. TV Shows," The Legal Intelligencer, Feb. 10, 2000, at 1.

80 *See Twentieth Century Fox Film Corp v. iCraveTV,* Case No. 00-121 (W.D. Pa. TRO entered Jan. 28, 2000; preliminary injunction entered Feb. 2, 2000); *National Football League v. TVRadioNow Corp.,* Case No. 00-120 (W.D. Pa. TRO entered Jan. 28, 2000; preliminary injunction entered Feb. 2, 2000).

81 *See* Ritchenya A. Shepherd, "Gregory Jordan used a video pitch and some inside dope to take on an old colleague," Nat L.J., Apr. 17, 2000, at Al.

82 *See* Tim Malloy, "iCraveTV.com Settles Suit With U.S. TV, Sports Giants," Pa. L. Weekly, Mar. 6, 2000, at 10; "U.S. Film Studios, TV Stations Win Preliminary Injunction Against iCraveTV," The Intellectual Property Strategist, Feb. 2000, at 9. **Next Section** / **Contents**

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